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Letter Ruling 77-9: Taxation of IRAs; Clarification of T.I.R. 1975-1

March 7, 1977

You request a clarification of Technical Information Release (TIR 1975-1) relating to the taxation of income of an Individual Retirement Account (IRA).

Massachusetts gross income is defined as federal gross income, with modifications not here relevant, determined under the Internal Revenue Code of the United States (Code) as amended on January 1, 1971. The tax shelter provisions enacted by Congress and effective after that date have no application in determining Massachusetts gross income. Each transaction must be analyzed and its tax consequence determined under the Code as it existed on January 1, 1971.

TIR 1975-1 merely sets forth the principle that income will only be taxed once. Amounts previously reported to Massachusetts will not be taxed a second time merely because they are includible in federal gross income of the year of distribution because of amendments to the Code effective after January 1, 1971.

More specifically, in answer to your questions.

1. The mere fact that an annuity is used as an IRA does not preclude the annuity from receiving the benefit of tax deferment of earnings on that annuity prior to the annuity starting date.
2. Where funds of an IRA are invested in mutual funds there is no deferment of Massachusetts tax on the income of the IRA.

Very truly yours,

/s/Owen L. Clarke

Owen L. Clarke
Commissioner of Corporations
and Taxation

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